

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
High-Cost Universal Service Support) WC Docket No. 05-337
)
Federal-State Joint Board on Universal Service) CC Docket No. 96-45
)
Lifeline and Link-Up) WC Docket No. 03-109
)
Universal Service Contribution Methodology) WC Docket No. 06-122
)
Implementation of the Local Competition) CC Docket No. 96-98
Provisions in the Telecommunications Act of 1996)
)
Developing a Unified Inter-carrier Compensation) CC Docket No. 01-92
Regime)
)
Inter-carrier Compensation for ISP-Bound Traffic) CC Docket No. 99-68
)
IP-Enabled Services) WC Docket No. 04-36
)
Numbering Resource Optimization) CC Docket No. 99-200
TO: The Commission	

**COMMENTS OF
THE COALITION OF CONCERNED WISCONSIN COMPANIES
SUPPORTING
APPENDIX C ALTERNATIVE PROPOSAL**

The Coalition of Concerned Wisconsin Companies¹ ("Coalition") hereby submits its comments in support of the Alternative Proposal for comprehensive universal service and inter-carrier compensation reform attached as Appendix C to the Commission's *Order on Remand*

¹ The Coalition of Concerned Wisconsin Companies is comprised of the following nine independent local exchange carriers that serve rural portions of Wisconsin: Amery Telecom, Inc.; Bloomer Telephone Company; Clear Lake Telephone Company; Farmers Independent Telephone Company; Luck Telephone Company; Milltown Mutual Telephone Company; Mount Horeb Telephone Company; Siren Telephone Company, Inc.; and Somerset Telephone Company.

and Report and Order and Further Notice of Proposed Rulemaking, FCC 08-262, released in the captioned proceedings on November 5, 2008 (“*FNPRM*”).

The nine members of the Coalition are all rural telephone companies that serve high-cost exchanges in rural Wisconsin. As small carriers serving sparsely populated areas that depend primarily upon agriculture and small business, Coalition members have limited financial resources, limited access to credit and equity markets, and limited ability to raise substantial additional revenues by increasing their local service rates. However, notwithstanding their size and economic disadvantages, Coalition members have solid records of bringing quality telecommunications and information services to their rural customers at affordable rates, and recently have been making the substantial investments in broadband upgrades necessary to give their rural customers access to advanced services comparable to those available in urban areas.

The Coalition recognizes that economic and technological changes have been putting increasing stress upon the universal service and access charge mechanisms that have been instrumental in enabling Coalition members and other rural carriers to provide quality, affordable and urban-comparable services during the past two decades. It understands that reform is necessary, and that such reform must address the needs and concerns of urban and rural customers, as well as a wide variety of carriers, service providers, regulators, legislators and associations.

The Coalition further recognizes that the Alternative Proposal in Appendix C is a compromise that attempts to consider and adjust the conflicting interests of many different stakeholders. If they had been advanced individually, the Coalition would oppose some of the elements of the Alternative Proposal. However, looking at the Alternative Proposal as a whole and in its context as a comprehensive, industry-wide settlement of critical intercarrier

compensation and universal service issues, the Coalition supports it as long as the currently proposed rural telephone company protections are retained.

The Coalition's primary concern is the need for an adequate, stable and reliable mechanism to replace the critical access revenues upon which Coalition members and other rural telephone companies rely to recover their investment and operating costs. If the Coalition were making telecommunications policy, it would retain significant intercarrier compensation rates to encourage carriers to invest in expensive last-mile facilities and to require other service providers to compensate for the benefits they derive from their use of such last-mile facilities. The Coalition would not employ devices like "Faulhaber costs"² to drive intercarrier compensation rates effectively to "0,"³ or fail to require Voice over Internet Protocol ("VoIP") providers that compete directly with local and long distance voice and data carriers to pay reasonable compensation for their use of last-mile networks. However, as long as Paragraphs 320 and 321 of Appendix C are adopted and implemented as proposed, the access revenue streams of Coalition members and other rural telephone companies should remain relatively stable during the transition period, and enable them to obtain and repay the loans and recover the costs of upgrading and operating their networks. The Coalition believes it is critical that: (1) rural telephone companies that are subject to rate-of-return regulation in the interstate jurisdiction qualify for the proposed Supplemental Interstate Common Line Support ("Supplemental ICLS") without any further federal or state criteria or proceedings; (2) that the first component of Supplemental ICLS be implemented so as to fully compensate rural telephone companies for all revenues lost as a result of mandated reductions in intrastate and interstate intercarrier

² No business that desires to avoid bankruptcy fails to recover joint and common costs in the prices of its products and services.

³ If intercarrier compensation rates are reduced to levels such as \$0.0007 per minute, the costs to Coalition members of billing and collecting such charges will exceed the revenues they will generate.

compensation rates (offset only by the proposed increased subscriber line charges (“SLCs”) during the entire transition period); and (3) that the second component of Supplemental ICLS be implemented so as to enable rural telephone companies to earn their authorized rate of return during at least the initial five-year broadband build-out by offsetting revenue losses attributable to access line and minute losses.

The Coalition’s second substantial concern is the continuation of specific, predictable and sufficient universal service support. Coalition members want to provide their rural customers with broadband facilities and advanced services comparable to those available in urban areas. They are certain that bandwidth greater than the current 768/200 kbps standard will be needed within the foreseeable future, and that substantially increased universal service support will be required to achieve ubiquitous broadband coverage and penetration in the United States comparable to other nations. However, recognizing the economic uncertainty and funding constraints at this time, the Coalition is willing to accept the incumbent local exchange carrier (“ILEC”) broadband commitment and universal service support provisions set forth in Paragraphs 28 to 30 of Appendix C. The certainty of receiving their frozen 2010 universal service support for at least a 10-year period will permit Coalition members to complete their 768/200 kbps broadband build-out unless the overall economy becomes highly inflationary. The Coalition applauds the Commission for recognizing the two-year delay between costs and universal service support for rural ILECs, and for allowing rural ILECs that made substantial network investments during 2007 and 2008 pursuant to the existing system to obtain the universal support increases necessary to repay their construction loans.

The Coalition’s other priority is a “rural transport rule” that exempts rural ILEC from the payment of transport charges over lengthy distances beyond their service territory boundaries for

traffic originated by their customers. Under existing rules and arrangements, rural ILECs and their customers have not had to pay for transport beyond their service area boundaries or meet points. Placing such obligations upon rural ILECs in the future when their access and universal service revenue streams are not increasing and when they have substantial broadband build-out commitments would severely strain their finances and require them to increase their customer rates by substantial (and possibly non-affordable) amounts. Therefore, the Coalition supports the adoption of an express "rural transport rule" that exempts a rural ILEC from financial responsibility for the transport of originating traffic beyond its study area boundary or beyond its meet point with the interexchange carrier or tandem switch provider through which the rural ILEC connects with the public network.

In sum, the Alternative Proposal in Appendix C is no panacea for Coalition members and other rural ILECs. However, in a world of economic and technological change and many divergent and competing interests, it provides an acceptable amount of stability and certainty for Coalition members. Therefore, The Coalition supports the Alternative Proposal in Appendix C as long as the currently proposed rural telephone company protections are retained.

Respectfully submitted,
**COALITION OF CONCERNED WISCONSIN
COMPANIES**

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